

Fiscal year ended February 1

Annual Report □ 1964 □ City Stores Company



Department Stores

LIT BROTHERS

Julius P. Hansen, *President*

PENNSYLVANIA:

Philadelphia
69th Street (Upper Darby)
Northeast Philadelphia
Oregon Avenue (South Philadelphia)
Lawrence Park
Morrisville
Willow Grove

NEW JERSEY:

Atlantic City
Camden
Trenton

MAISON BLANCHE

Isidore Newman, II, *Chairman of Board*
Eldridge P. Jones, *President*

LOUISIANA:

New Orleans
Carrollton
Gentilly
Airline Highway
West Side
Gentilly Woods

LOVEMAN, JOSEPH & LOEB

Paul L. Dowd, *President*

ALABAMA:

Birmingham
Montgomery
Bessemer
Huntsville*

LANSBURGH'S

Charles H. Jagels, *President*

DISTRICT OF COLUMBIA:

Washington

MARYLAND:

Langle Park

VIRGINIA:

Arlington (Shirlington)

LOWENSTEIN'S

Stanley H. Fried, *President*

TENNESSEE:

Memphis
East
South

RICHARDS

Paul S. Walker, *President*

FLORIDA:

Miami
163rd Street
Miami Beach
Cutler Ridge
Palm Springs

KAUFMAN'S OF KENTUCKY

Richard J. Baker, *President*

KENTUCKY:

Louisville
Dixie Manor
The Mall (Shelbyville)

R. H. WHITE

Harold A. Broomfield, *Executive Head*

MASSACHUSETTS:

Worcester

HEARN'S

Gwilym R. Thomas, *Executive Head*

NEW YORK:

Bronx
Bay Shore

CITYMART

MASSACHUSETTS:

Boston

Specialty Stores

FRANKLIN SIMON

Edwin G. Roberts, *President*

CONNECTICUT:

Milford
Westport

DELAWARE:

Wilmington

DISTRICT OF COLUMBIA:

Washington

GEORGIA:

Atlanta
Lenox Square

MARYLAND:

Harundale Center
Mondawmin
Towson Center
Wheaton Plaza
Prince Georges Plaza

MASSACHUSETTS:

Boston

MICHIGAN:

Detroit
Northland Center
Eastland Center

MISSOURI:

Crestwood

NEW JERSEY:

East Orange
Eatontown
Hackensack
Haddonfield
Menlo Park
Morristown
Paramus

NEW YORK:

New York City
Buffalo — downtown and Thruway Plaza
Cross County
Garden City
Hicksville
Huntington
Manhasset
Roosevelt Field
Valley Stream

NORTH CAROLINA:

Charlotte

OHIO:

Cleveland
Swifton

PENNSYLVANIA:

Philadelphia
Germantown
Willow Grove

TENNESSEE:

Memphis

VIRGINIA:

Seven Corners

Home Furnishings Stores

W & J SLOANE

Leonard J. Novogrod, *President*

CALIFORNIA:

San Francisco
Los Altos
Oakland†
Sacramento
Walnut Creek
Redwood City†
San Jose

CONNECTICUT:

Milford
Stamford
Westport†

DISTRICT OF COLUMBIA:

Washington (2)
Spring Valley

NEW JERSEY:

Milburn
Ridgewood
Union†

NEW YORK:

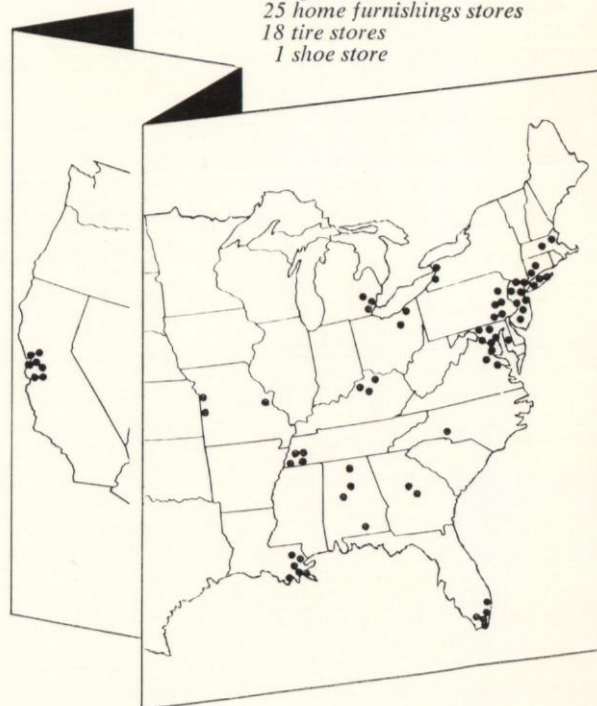
New York City
Forest Hills†
Garden City
Hempstead†
Manhasset
Riverdale†
White Plains
White Plains†

VIRGINIA:

Seven Corners

City Stores Company

operating
38 department stores
2 junior department stores
41 specialty stores
25 home furnishings stores
18 tire stores
1 shoe store



Junior Department Stores

KLINE'S

Jack C. Smith, *President*

MISSOURI:

Kansas City
Ward Parkway

† Clearance Centers

* To be opened in 1965

Directors

GUSTAVE G. AMSTERDAM
JAMES H. BECKER
MURRY C. BECKER
DAVID BORTIN
RALPH L. GOLDSMITH
ALBERT M. GREENFIELD
BRUCE H. GREENFIELD
JOSEPH A. W. IGLEHART
CHARLES H. JAGELS
WILLIAM F. KELLY
ISIDORE NEWMAN, II
LEONARD J. NOVOGROD
THOMAS C. PILLION
MAX ROBB
SERGE SEMENENKO

Annual Report

for the fiscal year ended February 1

1964

City Stores Company

Corporation Office

132 West 31st Street, New York, N. Y. 10001

New York Buying Office

Mutual Buying Syndicate, Inc.

11 West 42nd Street, New York, N. Y. 10036

Officers

GUSTAVE G. AMSTERDAM, *Chairman of the Board*
ISIDORE NEWMAN, II, *President*
LOUIS G. MELCHIOR, *Vice President and Treasurer*
PAUL L. DOWD, *Vice President*
JULIUS P. HANSEN, *Vice President*
CHARLES H. JAGELS, *Vice President*
ELDRIDGE P. JONES, *Vice President*
EDWIN G. ROBERTS, *Vice President*
PAUL S. WALKER, *Vice President*
IRVING J. ZIPIN, *Secretary and General Attorney*
J. KARL FISHBACH, *Corporate Controller and Assistant Treasurer*

Transfer Agent	The Chase Manhattan Bank, New York, N. Y.
Co-Transfer Agent	The First Pennsylvania Banking & Trust Company, Philadelphia, Pa.
Registrar	Chemical Bank New York Trust Company, New York, N. Y.
Counsel	Folz, Bard, Kamsler, Goodis & Greenfield, Philadelphia, Pa.
Auditors	S. D. Leidesdorf & Co., New York, N. Y.

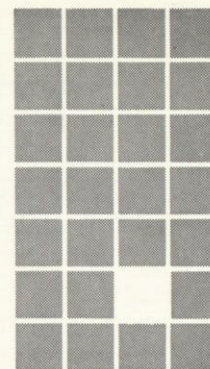
Annual Meeting	Wednesday, May 20, 1964 • 11 A.M. (E.D.S.T.) Sheraton-Atlantic Hotel, Broadway at 34th Street New York, New York (Green Room, First Mezzanine)
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Highlights

	YEAR (52 WEEKS) ENDED	
	February 1, 1964	February 2, 1963
<i>Operations*</i>		
Sales	\$313,596,000	\$309,153,000
Loss before federal income taxes	1,694,000	3,275,000
Federal income tax credit	1,020,000	1,680,000
Net loss	674,000	1,595,000
<i>Dividends</i>		
Common stock	—	1,304,000
Per share of common stock	—	0.45
<i>Financial</i>		
Current assets	86,914,000	92,667,000
Current liabilities	30,508,000	36,753,000
Working capital	56,406,000	55,914,000
Current ratio	2.8	2.5
Accounts receivable	62,968,000	76,385,000
Bank remittances on portion of receivables	28,832,000	38,097,000
Inventories	39,116,000	39,775,000
Property and equipment — net	38,319,000	41,614,000
Long term debt	25,086,000	29,569,000
<i>Ownership</i>		
Common stock equity	57,476,000	58,150,000
Common stock equity per share	19.43	19.66
Number of shares outstanding		
Common stock — average during year	2,957,863	2,897,000
Common stock — at end of year	2,957,863	2,957,863

Italics denote red figures.

* Exclusive of extraordinary items which did not result from the usual or typical business operations of the periods and have been credited or charged to income reinvested in business or to reserves.



To the Stockholders:

For the fiscal year ended February 1, 1964, sales for your Company totaled \$313,596,000 compared to \$309,153,000 for the year ended February 2, 1963, an increase of \$4,443,000 or 1.4%. The net loss from operations, after tax credit, for the year just ended amounted to \$674,000 against a net loss, after tax credit, in fiscal year 1962 of \$1,595,000, a reduction in loss of \$921,000 or 57.7%. The second half of 1963 showed improved operating results, culminating in a fourth quarter net operating income (before taxes) of \$2,943,000 compared to \$860,000 in the fourth quarter of the previous year.

The Company's financial condition continued to be sound. Working capital totaled \$56,406,000 and the current ratio was 2.8 to 1. The Company ended the year with no short-term debt outstanding, while current notes payable totaled \$7,500,000 at February 2, 1963. Substantial progress was made in upgrading the quality of the Company's accounts receivable. Long-term debt was reduced by \$4,483,000.

Several significant top executive appointments were made during the year, following exhaustive research for the best qualified executives available, and we believe that the Company now has the management team necessary to restore the Company to profitability. Among these appointments were:

Louis G. Melchior took office as Vice President and Treasurer as of January 2, 1964. Mr. Melchior will be in charge of corporate operating and financial matters and brings to his post experience both as a lawyer and as Financial Vice President of Goldblatt Bros., Inc., a Chicago-based department store chain.

Effective February 1, 1964, Julius P. Hansen became President of Lit Brothers, Philadelphia, our largest operating division. Mr. Hansen, formerly President of The Fair department store in Chicago and Vice President of Montgomery Ward & Co., has a proven record of success as a store president and we are confident that he will provide strong leadership for Lit Brothers. Jared L. Rosenthal remains at Lit's as Executive Vice President and General Merchandise Manager.

New management has also been installed in our Franklin Simon specialty store division. Edwin G. Roberts was elected President and assumed his duties on October 1, 1963. Mr. Roberts has an excellent record as a top fashion merchandiser and came to us from his post as Vice President and General Merchandise Manager of the Peck & Peck specialty store chain. As of April 1, 1964, Sidney H. Cass joined Franklin Simon as Administrative Vice President. Mr. Cass brings to this post many years of experience in both department store and multi-store operations.

Richard J. Baker was elected President of our Kaufman-Straus department stores in Louisville, Kentucky, effective January 15, 1964. Mr. Baker has previously served as President of W. A. Green's in Dallas, Texas, and as Vice President and General Merchandise Manager of Titche-Goettinger Co., also in Dallas.

A number of other significant personnel changes have been made in the merchandise and operating positions of the various divisions, all of which, we believe, will improve their results.

Several important physical changes will take place in 1964 in the Company's stores. A new 1,000-car parking garage has been opened adjoining the Lit Brothers downtown store and it is expected to contribute materially to improved sales in that unit. The basement stores of both downtown stores of Richards (Miami) and Lansburgh's (Washington, D. C.) will be completely refixed and refurbished and new main floors will be installed in the Maison Blanche store in downtown New Orleans and the downtown store of Lit Brothers in Philadelphia. A number of other modernization projects are also planned for the various branch operations.

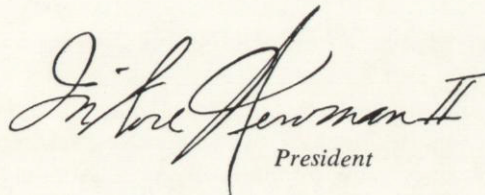
Ground will be broken shortly in the Madison Mall Shopping Center in Huntsville, Alabama, for an 80,000 square foot Loveman branch store. Madison Mall will be an enclosed, air-conditioned shopping center and the largest in Alabama. This will be Loveman's third branch and it is expected to open in early Spring 1965. New locations are also being considered for several other divisions of the Company.

Our Company is alert to the benefits of electronics, particularly in the accounts receivable and merchandise control areas. The computer in use at Maison Blanche in New Orleans has demonstrated savings and efficiencies and will be extended to provide accounts receivable and merchandise statistics for our Richards division in Miami. Preparations are also underway for the installation of a computer at Lit Brothers, Philadelphia, where substantial benefits will be realized in future years.

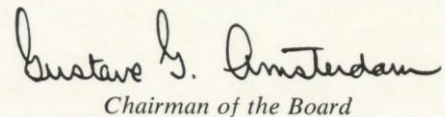
In implementing its important import program, an outstanding British Festival was held at the Maison Blanche store in New Orleans followed by a similar event at B. Lowenstein's in Memphis. This year the program will be augmented by import festivals in several other units. In this connection, 31 of our store buyers and executives have visited Europe and the Far East in the early months of 1964. The City Stores private label program was successfully expanded in 1963 and will be emphasized again in 1964.

The Directors and Officers are mindful of the loyal and devoted services of the Company's employees. We express our appreciation to them for their efforts and we shall do our best to provide the kind of leadership, not only in the central office, but in each of our divisions, which will achieve the profitable growth to which we all are dedicated. To our suppliers, customers and shareholders, we express our appreciation for their support during 1963.

Respectfully submitted,



Irvin Newman II
President



Gustave G. Amsterdam
Chairman of the Board

April 29, 1964

Statement of Income

	YEAR (52 WEEKS) ENDED	
	February 1, 1964	February 2, 1963
Sales (including leased departments)	\$313,596,114	\$309,152,833
Deduct:		
Cost of goods sold and operating expenses less carrying charges.	307,740,991	304,873,396
Depreciation and amortization	4,540,597	4,536,413
Interest and debt expense.	3,628,598	3,635,141
	<u>315,910,186</u>	<u>313,044,950</u>
	2,314,072	3,892,117
Net income of unconsolidated subsidiaries (depreciation of \$563,025 and \$474,470, respectively, deducted) — Note A	461,568	415,491
Miscellaneous other income (net)	158,299	201,832
Loss before federal income taxes	1,694,205	3,274,794
Federal income tax credit — Note E	1,020,000	1,680,000
Net loss	<u>\$ 674,205</u>	<u>\$ 1,594,794</u>

Italics denote red figures.

Exclusive of extraordinary items which did not result from the usual or typical business operations of the period and have been credited or charged to income reinvested in business or to reserves.

See notes to financial statements, pages 9 through 11.

Statement of

ASSETS

February 1, 1964

February 2, 1963

CURRENT ASSETS

Cash (including \$15,835 of U. S. Government securities) . .	\$ 10,444,964	\$ 10,905,402
Accounts receivable — Note B	34,135,422	38,287,726
Merchandise inventories — Note C	39,116,183	39,774,977
Supplies and prepaid expenses	3,217,660	3,698,627
TOTAL CURRENT ASSETS.	86,914,229	92,666,732

INVESTMENTS AND OTHER ASSETS

Investments in and net receivables from unconsolidated subsidiaries — Note A and see page 8	3,978,622	5,901,245
U. S. Government securities deposited as security under leases.	239,902	249,838
Mortgages receivable, sundry investments and other items	1,150,167	1,236,164
	5,368,691	7,387,247

PROPERTY AND EQUIPMENT — Note D

Land, buildings, leaseholds, fixtures and equipment — at cost	70,026,012	71,653,611
Less accumulated depreciation and amortization	31,706,635	30,039,437
	38,319,377	41,614,174
UNAMORTIZED DEBT EXPENSE	100,468	118,253
	\$130,702,765	\$141,786,406

See notes to financial statements, pages 9 through 11.

Financial Condition

LIABILITIES	<u>February 1, 1964</u>	<u>February 2, 1963</u>
CURRENT LIABILITIES		
Notes payable — banks	\$ —	\$ 7,500,000
Accounts payable, accrued and sundry liabilities	25,050,096	23,653,110
Federal income taxes — Note E	270,178	353,615
Current portion of long term debt and mortgages not assumed	5,187,689	5,246,607
TOTAL CURRENT LIABILITIES	<u>30,507,963</u>	<u>36,753,332</u>
 LONG TERM DEBT (other than mortgages not assumed)		
— Note F	<u>25,086,194</u>	<u>29,569,371</u>
 RESERVES — Note G	<u>2,019,377</u>	<u>2,055,312</u>
 DEFERRED FEDERAL INCOME TAXES — Note E	<u>6,711,581</u>	<u>5,149,543</u>
 MORTGAGES NOT ASSUMED — Note D	<u>7,440,191</u>	<u>8,092,702</u>
 DEFERRED CREDIT — Note H	<u>745,212</u>	<u>1,428,558</u>
 MINORITY INTEREST	<u>716,128</u>	<u>587,264</u>
 OWNERSHIP — Note I		
Common stock — \$5 par value — authorized 6,000,000 shares; outstanding 2,957,863 shares (after deducting 12,423 shares in treasury)	14,789,316	14,789,316
Other capital	20,217,674	20,217,674
Income reinvested in business — Notes E and F	22,469,129	23,143,334
	<u>57,476,119</u>	<u>58,150,324</u>
	<u>\$130,702,765</u>	<u>\$141,786,406</u>

Statement of Income Reinvested in Business

	YEAR (52 WEEKS) ENDED	
	February 1, 1964	February 2, 1963
Balance at beginning of year	\$23,143,334	\$25,901,829
Net loss	674,205	1,594,794
	<u>22,469,129</u>	<u>24,307,035</u>
Recoveries and gains in connection with R. H. White Boston . .	—	910,798
Service fee income applicable to prior years	—	126,000
	<u>—</u>	<u>896,860</u>
Liquidation loss — closing of Bry Block store	—	896,860
Dividends:		
Cash	—	263,684
Stock	—	1,039,955
	<u>—</u>	<u>1,303,639</u>
Balance at end of year — Notes E and F	<u>\$22,469,129</u>	<u>\$23,143,334</u>

See notes to financial statements, pages 9 through 11.

 Unconsolidated Real Estate Subsidiaries — Combined
 Summary of Net Assets — Note A

	February 1, 1964	February 2, 1963
Land, buildings, leaseholds and equipment, less depreciation (includes unoccupied premises of closed stores)	\$14,812,654	\$15,163,420
Mortgages payable — current portions \$605,439 (this year) and \$439,011 (last year)	10,796,293	9,646,414
	<u>4,016,361</u>	<u>5,517,006</u>
Other assets, including cash of \$67,075 (this year) and \$83,390 (last year)	307,029	792,663
	<u>4,323,390</u>	<u>6,309,669</u>
Accounts payable and federal income taxes	344,768	408,424
Net assets	<u>\$ 3,978,622</u>	<u>\$ 5,901,245</u>
Consisting of:		
Intercompany accounts with parent companies — net . . .	\$ 1,386,476	\$ 3,531,831
Capital stocks and surplus	2,592,146	2,369,414
	<u>\$ 3,978,622</u>	<u>\$ 5,901,245</u>

Leases:

The minimum annual rentals upon real property leased by unconsolidated subsidiaries under leases expiring more than 3 years from February 1, 1964 amounted to approximately \$350,000 of which approximately \$250,000 pertains to properties leased to City Stores Company. Certain of the leases with an aggregate minimum annual rental of approximately \$200,000 have been guaranteed by City Stores Company. Certain of the leases provide for payment of additional rental based on a percentage of sales (related to premises occupied by parent or consolidated subsidiaries) over a fixed amount and for taxes, insurance or other charges.

Notes to Financial Statements

The financial statements for the preceding year are included for comparison purposes only. Reference should be made to the previously issued Annual Report for the Accountants' Report and notes relating to those financial statements.

A — PRINCIPLES OF CONSOLIDATION

The accounts of all subsidiaries are included in the accompanying consolidated financial statements, except those of certain real estate subsidiaries, the investments in which are included in the accompanying statement of financial condition at amounts equal to the net assets of such subsidiaries. Net income of unconsolidated subsidiaries includes this year's income (\$111,358) of a previously consolidated real estate subsidiary. A summary of the net assets of these real estate subsidiaries is set forth on page 8.

B — ACCOUNTS RECEIVABLE

The Company has agreements with various banks which provide, in effect, for a form of revolving credit under which specific accounts receivable are assigned to the banks, and the banks remit amounts equal to 90% of the accounts assigned, withholding 10% of the uncollected balances representing the Company's equity. Under the agreements, the Company accepts reassignment of any accounts in default (as defined) as long as it continues to assign accounts.

The accounts receivable are summarized as follows:

	This Year	Last Year
Accounts receivable customers and others — after deducting \$10,381,090 (this year) and \$281,782 (last year) received on account of the sale of a portion of installment receivables	\$65,874,610	\$79,642,704
Less:		
Accounts receivable assigned net of equity of \$3,203,572 (this year) and \$4,233,003 (last year)	28,832,150	38,097,026
Allowances for doubtful accounts	2,907,038	3,257,952
	31,739,188	41,354,978
	<u>\$34,135,422</u>	<u>\$38,287,726</u>

C — MERCHANDISE INVENTORIES — Determined principally under Retail Method

Merchandise inventories, as summarized below, are priced principally at LIFO cost and partly at the lower of cost or market. The inventories priced at LIFO cost would be approximately \$5,040,000 more for this year and last year if they had been priced at the lower of cost or market.

	This Year	Last Year
At LIFO cost	\$28,271,886	\$29,325,626
Less allowance for discounts	763,428	771,592
	27,508,458	28,554,034
At lower of cost or market	11,607,725	11,220,943
	<u>\$39,116,183</u>	<u>\$39,774,977</u>

D — REAL ESTATE

The accounts include real estate in the net amount of \$8,565,236, principally store properties, subject to mortgages which at February 1, 1964 amounted to \$8,092,702. The Company is not liable on the mortgage notes. Three liquidated real estate subsidiaries remain liable on the mortgages.

E — FEDERAL INCOME TAXES

The Company records income from installment sales for financial accounting purposes at the time sales are made and for tax purposes generally on the basis of cash collections. The deferred income taxes includes amounts applicable to installment sales and accelerated depreciation. It also includes \$2,573,728 (a current recovery of prior years federal income taxes) of which it is expected \$2,075,000 will be credited to income reinvested in business as carry-overs are used and other matters are resolved.

The federal income tax credit represents amounts applicable to a reduction in deferred income taxes and \$95,000 related to accelerated depreciation resulting from a decrease in tax rate under the Revenue Act of 1964.

The accompanying financial statements are subject to final determination of federal, state and local taxes.

F — LONG TERM DEBT (other than mortgages not assumed)

	This Year	Last Year
Long term debt is summarized as follows:		
Notes payable to bank and insurance company	\$21,568,000	\$25,426,000
4% sinking fund debentures (subordinated)	1,800,000	1,953,000
Notes payable to parent company	1,718,194	1,658,194
Other notes payable	—	532,177
	<u>\$25,086,194</u>	<u>\$29,569,371</u>

Annual maturities after one year of notes payable under loan agreements with The Prudential Insurance Company of America and The First National Bank of Boston aggregate \$3,858,000 for 1965 and 1966, \$1,983,000 from 1967 to 1970, \$5,583,000 in 1971, and approximately \$83,000 from 1972 to 1975. The 4% sinking fund debentures (subordinated) are payable \$300,000 annually. Notes payable to parent company are due on February 26, 1965. The loan agreements provide, among other things, for (1) the maintenance of minimum consolidated working capital of \$50,000,000, (2) restrictions on the purchase, redemption or other acquisition of the Company's stock, and (3) restrictions on the payment of cash dividends on the Company's common stock. Under the restrictions of the loan agreements, the Company is not presently permitted to pay cash dividends.

G — RESERVES

	This Year	Last Year
The reserves are provided for the following:		
Restoration of leased properties	\$ 441,899	\$ 441,899
Termination of store operations	435,516	328,685
Excess rentals	279,758	550,234
Deferred compensation	862,204	734,494
	<u>\$ 2,019,377</u>	<u>\$ 2,055,312</u>

Reserve for termination of store operations represents the estimated expense to be incurred at vacated stores, less amounts included in current liabilities.

H — DEFERRED CREDIT

This account includes (a) \$138,159 (exclusive of the portion included in current liabilities) which arose in connection with sales during prior years of rights to receive rents from certain tenants within the period ending April 30, 1965, and (b) \$607,053 unamortized gain from sale of real estate in a prior year, being amortized over the remaining term of the leaseback of such real estate.

I — OWNERSHIP

The Company's restricted Stock Option Plan makes available for granting to selected key executives and managerial employees, stock options to purchase 125,000 shares of the Company's common stock at not less than 95% of the market price on the date of grant. Generally options granted are exercisable in nine annual installments on a cumulative basis commencing 18 months from grant dates. During the year, options for 12,500 shares were granted at \$8.43 per share and options for 11,000 shares were cancelled. As at February 1, 1964, options were outstanding for 64,500 shares granted at prices ranging from \$8.43 to \$14.13 per share.

J — CONTINGENCIES

The minimum annual rentals on real property leased by the Company and its consolidated subsidiaries under leases expiring more than three years from February 1, 1964, amount to approximately \$1,600,000 under leases with the unconsolidated real estate subsidiaries and \$6,400,000 under leases with others including \$400,000 with its parent, Bankers Securities Corporation. Certain of the leases provide for payment of additional rental based on a percentage of sales over a fixed amount and for taxes, insurance or other charges. Reference is made to summary of net assets of the unconsolidated real estate subsidiaries for minimum rentals payable by such subsidiaries.

Certain leases provide for the restoration of the related properties to their original condition, in connection with which, upon vacating such properties, there may be incurred costs in an amount presently indeterminable. Accordingly, no provision has been made in the accounts for such costs, except as to \$441,899 (included in the tabulation of reserves in Note G) recorded on the acquisition of a subsidiary in a prior year.

K — PENSION PLAN

The Company's non-contributory pension plan (as amended) covers, generally, employees with 20 years of service who are not participants in any other plan to which the Company contributes. The plan provides for retirement at age 65 with no vesting of rights. Although the Company does not presently contemplate funding this plan, it may do so in the future. The Company may amend, modify or terminate the plan in whole or in part at any time. The benefits paid under this plan, which are charged to operations as paid, approximated \$235,000 and will increase to an annual amount of approximately \$618,000 in 1973. Payments under informal arrangements to presently retired employees (approximately \$400,000 this year) will gradually decline, based on mortality factors. The amount which would have been necessary to fund this plan, as at February 1, 1964, with respect to past services as related to employees 55 years of age and over and retired employees, has been estimated by the Company's consulting actuary at approximately \$3,200,000 after taxes. The past service cost for other eligible employees has not been computed.

Accountants' Report

S. D. LEIDESDORF & CO.
CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK, N. Y.

To the Board of Directors
City Stores Company
New York, N. Y.

We have examined the consolidated statement of financial condition of City Stores Company and consolidated subsidiaries as at February 1, 1964, the related consolidated statements of income and income reinvested in business for the year (52 weeks) then ended and the combined summary of net assets of unconsolidated real estate subsidiaries as at February 1, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, together with the notes to financial statements, present fairly the consolidated financial position of City Stores Company and consolidated subsidiaries at February 1, 1964, the consolidated results of their operations for the year (52 weeks) then ended and the combined net assets of the unconsolidated real estate subsidiaries at February 1, 1964, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

S. D. LEIDESDORF & CO.

New York, N. Y.
April 10, 1964

Historical Comparison

	February 1, 1964	February 2, 1963	February 3, 1962	January 28, 1961	January 30, 1960	January 31, 1959
Operations*						
Sales	\$313,596,000	\$309,153,000	\$286,886,000	\$262,504,000	\$274,633,000	\$268,964,000
Index of sales	117%	115%	107%	98%	102%	100%
Income or <i>loss</i> before federal income taxes.	<i>1,694,000</i>	<i>3,275,000</i>	1,518,000	349,000	5,654,000	5,058,000
Federal income taxes .	<i>1,020,000</i>	<i>1,680,000</i>	—	<i>1,520,000</i>	2,900,000	2,750,000
Net income or <i>loss</i> . .	<i>674,000</i>	<i>1,595,000</i>	1,518,000	1,869,000	2,754,000	2,308,000
Income or <i>loss</i> applica- ble to common stock	<i>674,000</i>	<i>1,595,000</i>	1,518,000	1,869,000	2,754,000	2,272,000
Income per average common share. . .	—	—	0.54	0.69	1.09	0.90
Dividends						
Preferred stock	—	—	—	—	—	36,000
Common stock	—	1,304,000	1,683,000	2,424,000	2,525,000	3,282,000
Per share						
Preferred stock	—	—	—	—	—	4.25
Common stock	—	0.45	0.60	0.90	1.00	1.30
Financial						
Current assets	86,914,000	92,667,000	98,843,000	85,898,000	94,718,000	99,943,000
Current liabilities. . .	30,508,000	36,753,000	35,321,000**	26,618,000	34,320,000	34,263,000
Working capital . . .	56,406,000	55,914,000	63,522,000	59,280,000	60,398,000	65,680,000
Current ratio	2.8	2.5	2.8	3.2	2.8	2.9
Accounts receivable. .	62,968,000	76,385,000	66,245,000	56,185,000	63,876,000	62,299,000
Bank remittances on portion of receivables	<i>28,832,000</i>	<i>38,097,000</i>	<i>17,060,000</i>	<i>14,837,000</i>	<i>12,871,000</i>	<i>12,283,000</i>
Inventories	39,116,000	39,775,000	32,944,000	26,610,000	30,235,000	27,892,000
Property and equipment — net	38,319,000	41,614,000	42,512,000	38,456,000	38,953,000	39,505,000
Long term debt	25,086,000	29,569,000	32,840,000	27,443,000	29,128,000	32,336,000
Ownership						
Preferred stock	—	—	—	—	—	—
Common stock equity	57,476,000	58,150,000	59,869,000	63,168,000	62,294,000	61,755,000
Common stock equity per share . . .	19.43	19.66	20.86	22.83	23.31	24.46
Number of common shares outstanding						
Average during year .	2,957,863	2,897,000	2,804,000	2,694,000	2,525,000	2,525,000
At end of year	2,957,863	2,957,863	2,869,453	2,767,012	2,672,766	2,524,553

Italics denote red figures.

* Exclusive of extraordinary items which did not result from the usual or typical business operations and have been credited or charged to income reinvested in business or to reserves.

** After giving effect to a reclassification.



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